

CALIFORNIA ENERGY COMMISSION

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Sacramento, California 95814

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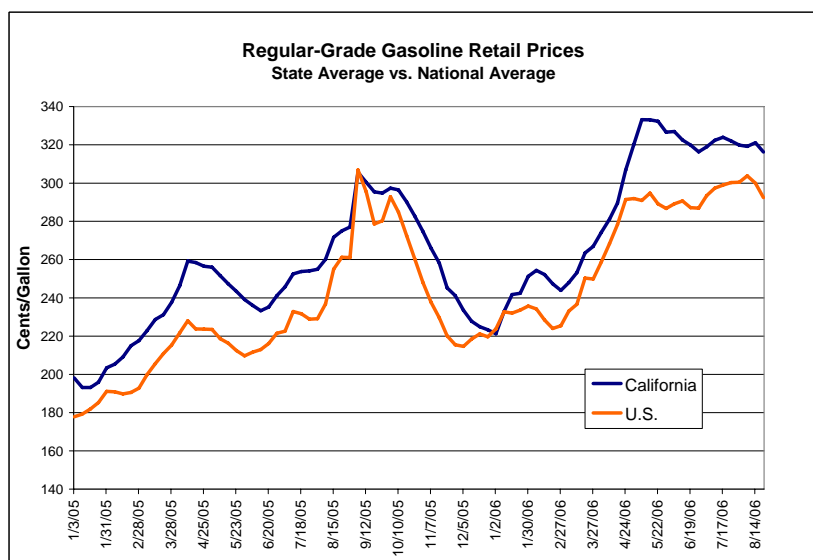
Main website: www.energy.ca.gov

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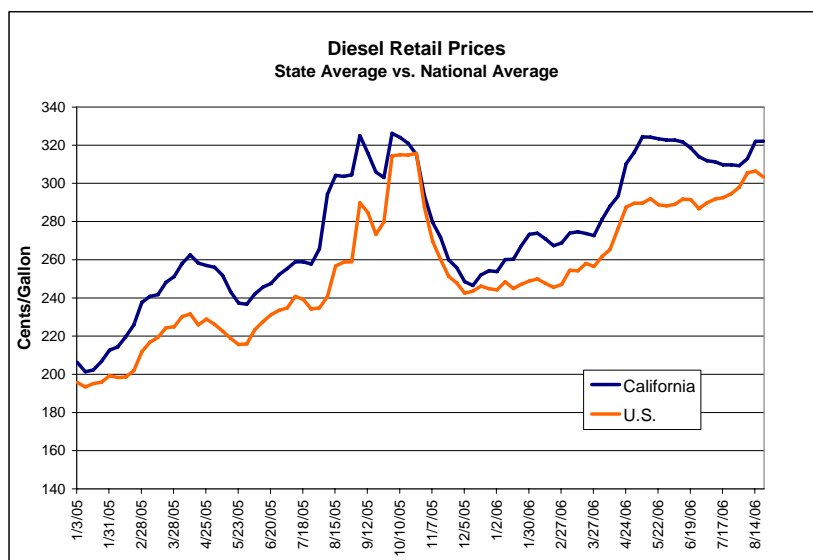
Consumer Information: www.ConsumerEnergyCenter.org

**Petroleum Watch****August 25, 2006*****Retail Gasoline and Diesel Prices on August 21***

- The average statewide **retail price for regular-grade gasoline** dropped 5 cents to \$3.16 per gallon, 17 cents less than the record high of \$3.33 on May 8.ⁱ
- The difference between California and U.S. retail gasoline prices increased to 24 cents per gallon since last week as U.S. prices fell 8 cents to \$2.92 per gallon.



- The average California **retail diesel price** was unchanged from the previous week at \$3.22 per gallon. At the same time, the U.S. retail diesel price dropped by 3 cents to \$3.03 per gallon, increasing the difference between California and U.S. prices to 19 cents per gallon.

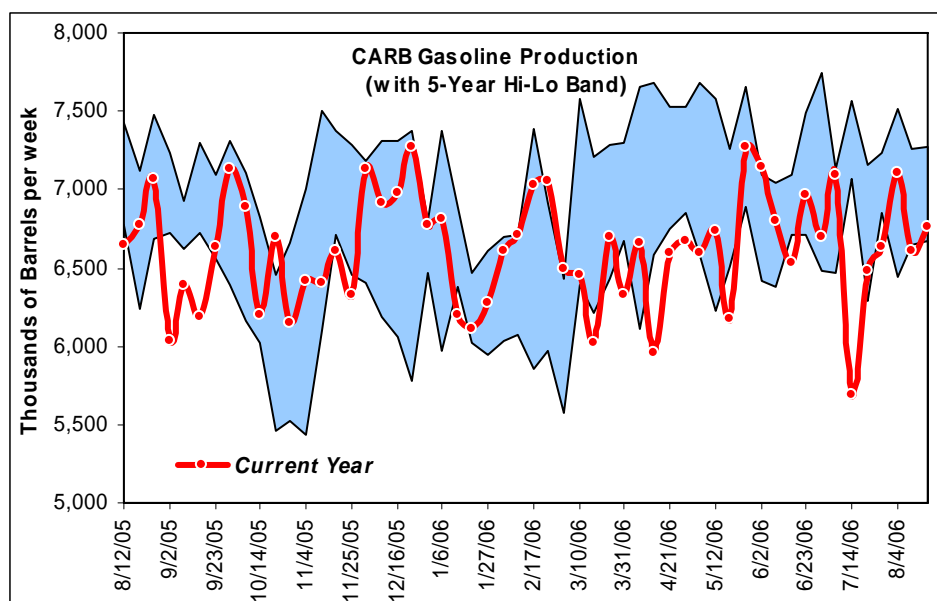


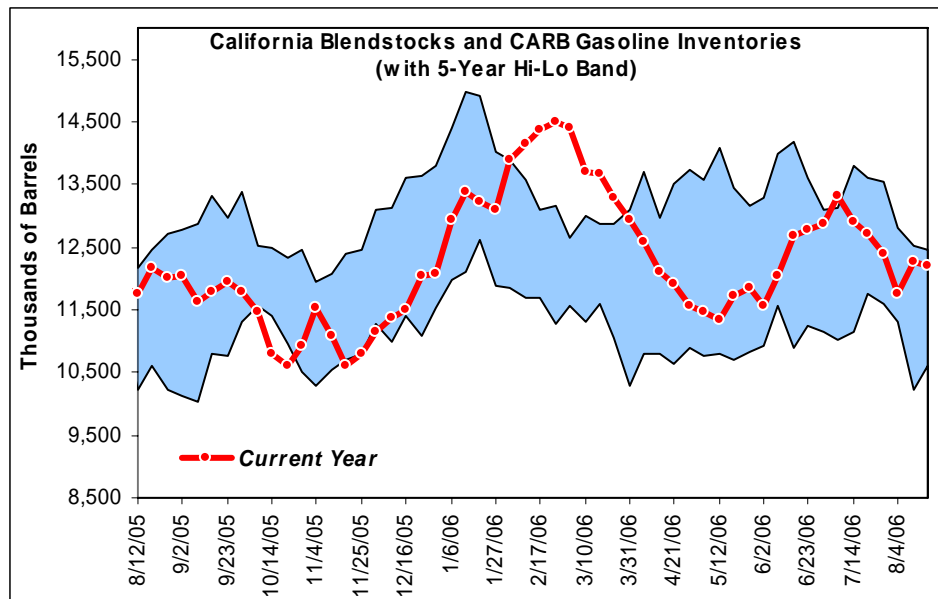
Wholesale Gasoline and Diesel Prices on August 22

- California spot **wholesale gasoline prices** for regular-grade reformulated blendstock for oxygenate blending (RBOB) fluctuated widely during the last week, hitting its lowest level since March on August 18 at \$2.08 per gallon before jumping back to \$2.22, an increase of 3 cents on the week. Prices are now 75 cents lower than the record high of \$2.97 on May 2 but still 66 cents more than the 2006 low of \$1.56 on February 14.
- For the second consecutive week, the difference between spot prices for RBOB in Los Angeles and prices elsewhere in the United States roughly doubled. Prices in Los Angeles are now 26 cents more than New York Harbor and 22 cents more than the Gulf Coast.
- California spot **wholesale low-sulfur diesel prices** ended at \$2.28 per gallon this week, 2 cents less than on August 15 and 40 cents lower than the record high of \$2.68 on May 3.
- California wholesale low-sulfur diesel prices are 4 cents more than at New York Harbor and 2 cents more than the Gulf Coast, compared to 11 cents and 15 cents more, respectively, on August 15.
- California gasoline ended the reporting week 6 cents less than California diesel, compared to 11 cents less on August 15.
- The Energy Information Administration (EIA) weekly assessment for August 18 reports that **U.S. gasoline demand** grew 0.4 percent from the previous week, while distillate demand jumped 5.1 percent. The four-week average demand for gasoline is 9.61 million barrels per day, 1.3 percent more than last year's four-week average. The four-week average for U.S. distillate demand is 4.03 million barrels per day, 0.1 percent less than last year.

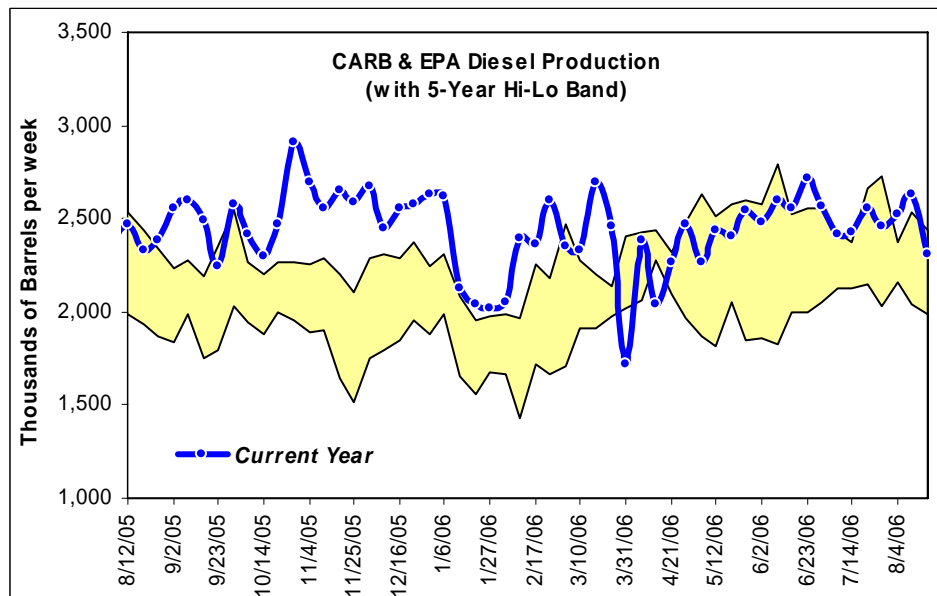
Refinery Production and Inventories

- **Reformulated gasoline production** in California rose 2.3 percent since last week to 6.76 million barrels. Production remains at the low end of the five-year range.ⁱⁱ
- California reformulated gasoline inventories decreased 3.3 percent, while gasoline blendstock inventories grew 1.5 percent during the last week. As a result, **combined inventories** of reformulated gasoline and gasoline blendstocks in the state **declined by 0.6 percent** to 12.2 million barrels, remaining in the upper end of the five-year range.
- U.S. gasoline inventories increased by 402,000 barrels to 205.8 million barrels as of August 18. Stocks dropped sharply in the Gulf Coast, but increased in all other regions.

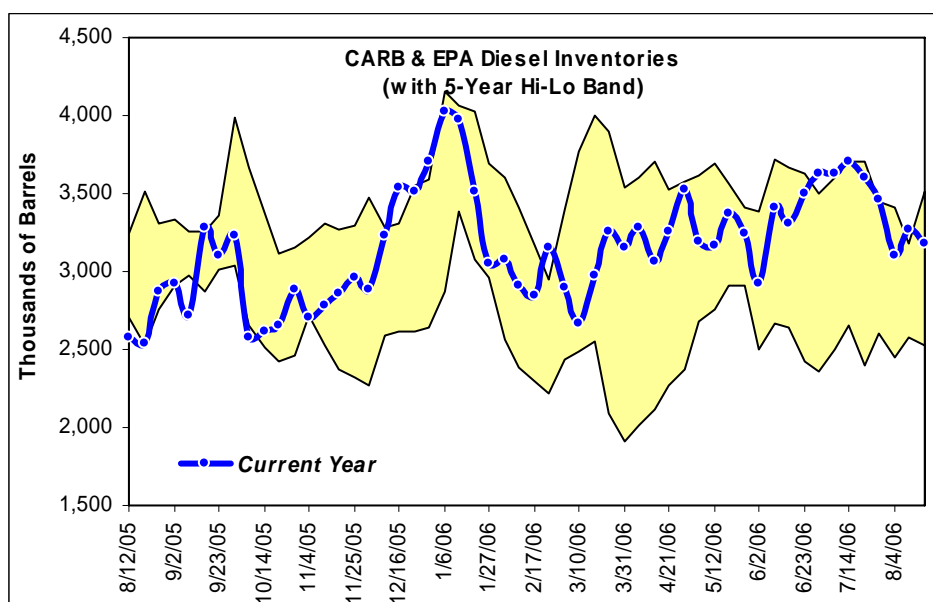




- California low-sulfur **diesel production** during the week ending August 18, including both California diesel and U.S. Environmental Protection Agency (EPA) diesel, decreased 12 percent from the previous week to 2.31 million barrels. Output is in the upper end of the five-year range but is 0.9 percent lower than year-ago levels.

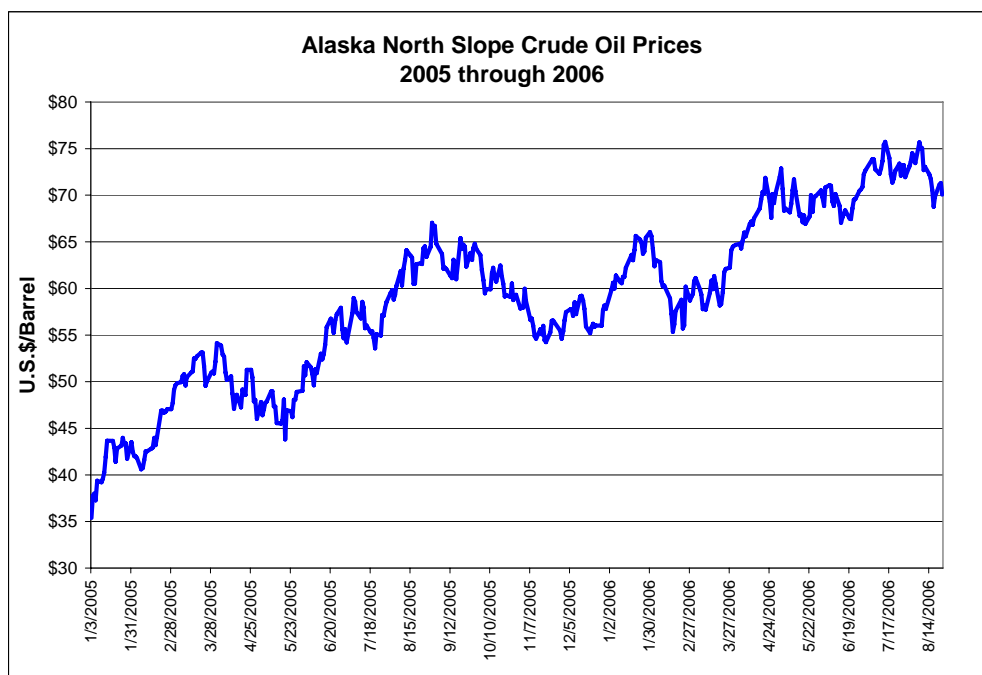


- Combined low-sulfur **diesel inventories** dropped 3 percent from the previous week to 3.18 million barrels, but are still in the upper end of the five-year range. Total U.S. distillate inventories as of August 18 increased to 135.5 million barrels, 2.3 million barrels more than the previous week. All regions reported increases except the West Coast, which declined slightly.



Crude Oil Prices and Inventories

- West Coast prices for Alaska North Slope (ANS) crude oil, an important refinery feedstock for California, dropped below \$70 per barrel for the first time since June 23, 2006. The arrest of suspects in an airline terror plot by British law enforcement, the announcement by BP that it would be able to keep crude oil flowing from the western side of its Prudhoe Bay oil fields,ⁱⁱⁱ the cease-fire in Lebanon, and production increases in northern Iraq and Nigeria's Bonny field combined to pull prices down to \$68.75 as of August 17. Prices then moved higher on reports of potential storm conditions developing in the Gulf of Mexico and concerns about Iran, which has been sending conflicting signals concerning its response to the August 31 U.N. Security Council resolution deadline to cease its uranium enrichment program. Market nervousness increased further with reports that a contract dispute led to troops from an Iranian warship occupying an oil drilling platform owned by a Romanian services company in waters off Iran. With the tropical storm threat abating, however, ANS crude oil prices settled back to \$70.06 per barrel as of August 23.^{iv}



- U.S. commercial crude oil inventories on August 18 fell 643,000 barrels to 330.4 million barrels on higher crude oil runs at refineries, despite higher imports. The impact from the Alaska pipeline shutdown appears to be minimal so far. Stocks are still 7.4 million barrels higher than last year and 30.8 million higher than the five-year average for the date. California crude oil stocks were nearly unchanged from the previous week at 14.08 million barrels.

ⁱ Spot wholesale and retail gasoline and diesel prices and U.S. crude oil and product inventory estimates are from the Energy Information Administration of the U.S. Department of Energy.

ⁱⁱ California refinery production and inventory information are from the Petroleum Industry Information Reporting Act (PIIRA) database maintained by the California Energy Commission.

ⁱⁱⁱ Further information on the BP Prudhoe Bay crude oil production curtailment can be found at: <http://www.energy.ca.gov/2006publications/CEC-999-2006-014/CEC-999-2006-014.PDF>.

^{iv} ANS crude oil prices are from *The Wall Street Journal*.